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SUBJECT: PRESIDENTIAL CAMPAIGNING AND NEW LOW INCOME
HOUSING PROGRAM HIGHLIGHTS ANNUAL BANKING CONFERENCE

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1. (SBU) Summary. The national banking association,s (Asobancaria) annual conference served as an opportunity for presidential hopefuls to showcase their social agendas. The highlight of the conference was the announcement that banks would make over USD 430 million available in GOC-guaranteed funds for housing loans to low-income Colombians. The following day, President Uribe announced a GOC guarantee program for these loans. According to Asobancaria officials, the loan program came at the request of President Uribe. End Summary.

Political Leaders, Development Plans

2. (U) On the eve of an election year, the Colombian Banking Association,s annual conference focused on social development issues. President Uribe and political leaders Antonio Navarro Wolff, Enrique Penalosa, and Juan Manuel Santos spoke at the conference. Wolff used the conference as a platform to campaign for the presidency. While there has been some talk that Penalosa was planning to run for the presidency, his intentions remain unclear. Santos, on the other hand, promoted President Uribe's policies during the event.

3. (U) The four speakers outlined their views on the need to improve social equality, territorial transfers, and the tax system. As the talks turned to economic development, Navarro Wolff talked about the importance of developing Colombia,s domestic economy, while the other candidates discussed the benefits of export growth and supported the negotiation of the U.S.-Andean Free Trade Agreement.

4. (U) Each of the speakers had differing views on handling the armed conflict. Navarro Wolff stressed the need to bring the armed groups back to the negotiating table, as the cheapest and most efficient way of achieving peace. Penalosa, a former mayor of Bogota, said that after 40 years of conflict, the Colombian people still did not have a clear idea of what the guerillas wanted from the government. Although Penalosa did not rule out negotiations, he stated the GOC should not dismiss the idea of using military force to impose order. Former Treasury Minister Santos suggested that the government open a dialogue with the armed groups, but he added it shouldn,t be at the expense of democratic security. At the conclusion of the conference, President Uribe detailed the successes of his administration in restoring security throughout Colombia.

5. (U) With regard to improving social development, Penalosa said access to bilingual education for all Colombians would help the country compete in the global economy. Navarro Wolff focused on the need to distribute education, health, jobs, services, and technological development across a wider range of Colombians. He proposed that the government fund the PhD studies of 3,000 young professionals, including at institutions outside of Colombia. Santos, opposed this idea, saying the maintenance of macroeconomic and institutional stability was key to sustainable growth. Other areas could not be focused upon. &What are those 3,000 Ph.Ds going to do in Colombia if there are not entities or companies that demand their services? It will only depress their salaries, but not increase growth or well-being.8

6. (U) In his presentation, President Uribe focused on inclusion. He said he was proud the GOC was increasing the number of individuals included in the value added tax collection. He also suggested lowering income taxes while broadening the tax base. He stressed that more Colombians should have access to credit and suggested facilitating credit for agricultural businesses.

Low-income Housing Pledge

7. (U) On the final day of the conference, Asobancaria,s president, Patricia Cardenas, announced that beginning July, 2005, Colombia,s banks pledged one trillion Colombian pesos (over USD 431 million) for new housing loans over the next

year, available only to the poorest Colombians. President Uribe immediately applauded Asobancaria,s gesture. He assured the banking industry that FOGAFIN (The Financial Institutions Guarantees Fund), the governmental organization that protects banks against defaults on loans, would protect all of these loans (to the apparent surprise of the director of FOGAFIN). Low-income individuals can only apply for housing loans, and these loans must be no more than 26.7 million pesos (USD 11,500) in value. Regardless of the requirements, it is estimated that 52,000 families will benefit from this new loan program.

18. (U) On Friday, July 24th, Uribe made good on his promise by allocating 20 billion Colombian pesos (USD 8.6 million) to pay for credit insurance on the newly pledged high-risk loans. In addition to identifying the resources for the program, the GOC is waiving FOGAFIN,s rigorous 15-step loan qualification procedure for these high-risk individuals.

19. (SBU) Comment. On the margins of the conference, an Asobancaria official explained that the Association,s pledge to increase low-income housing loans was not as spontaneous as it appeared. According to the official, Cardenas received a phone call from Uribe on the first day of the conference urging the banking industry to make such a pledge the following day. Although no threats were made, the official said Uribe made it clear the banking industry would regret not doing so. Cardenas hurriedly contacted the heads of all 28 banks associated within Asobancaria (all of Colombia's large banks) to explain the situation and ask that they participate in the low-income loan program. The following day, Cardenas had a private conference call with Uribe indicating the banks agreed to the plan. According to banking officials, few of the foreign banks will participate directly in the program, although some have offered to help the GOC design a low-income housing policy. End comment.

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